



CONTROLLER and AUDITOR-GENERAL

KEVIN BRADY

4 November 2003

Our Ref: LG03-0002

Mrs Jo Brosnahan
Chief Executive
Auckland Regional Council
Private Bag 92 012
AUCKLAND

Dear Mrs Brosnahan

AUCKLAND REGION PASSENGER RAIL SERVICE

Following receipt of a recent taxpayer enquiry in respect of the current passenger rail service in the Auckland region, we conducted a high level review of the contract monitoring protocols. This letter provides a summary of the findings of our review.

Background

Based upon discussions with key personnel at Auckland Regional Council ("ARC") and information obtained to date we note the following:

- ▲ City Rail Auckland and New Zealand Rail Limited ("NZRL") entered into a Contract for Services on 3 May 1991, for the provision of passenger rail services as follows:
 - Waitakere – Auckland (3 year term)
 - Auckland – Papakura (4 year term)
- ▲ The original contract (letter of 1 May 1991) did not include any specific monitoring requirements. We are advised that the initial contract letter should be read in conjunction with the "passenger service contracting manual".
- ▲ NZRL's confirmation of acceptance letter included differing service requirements and terms of contract for the Waitakere-Auckland route, from that set out in the original offer from ARC.
- ▲ Variation # S2-18 was granted on 4 November 1992 extending the current contract to a **maximum** 10 year period of operation. NZRL were advised of the extension to their contract by way of letter dated 23 December 1992. We note that the letter advised a commencement of contract date of 1 July 1993. This in effect took the contract beyond the 10-year period.

- ▲ A further variation (# S2-32) was issued on 12 January 1995 effecting a change to the contract price.

Summary of issues

The original contract did not include explicit monitoring requirements. Reference to a ‘factor report’ was made, however the content of the factor report was not finalised at the time of contract agreement. We have been advised that it was intended that the factor report specify monitoring arrangements.

There are a mixture of monitoring activities undertaken currently by Tranzrail and ARC. However, monthly reports are not provided for in the existing contract conditions. (As a point of comparison, we are advised that minimum service levels have been agreed with respect to passenger seats available in the Wellington rail corridor.) There are no provisions for time or safety key performance indicators. We have been advised that the underlying issues relate to infrastructure quality as well as the reliability and availability of the existing metro fleet to meet demand.

ARC has acknowledged that there are issues with the current rail passenger service. Since August, with the advent of the contract extension, Tranzrail and the ARC have established communication and reporting protocols together with mutually agreed performance measures. Tranzrail has also established an increased level of management presence and resources in Auckland. A designated person has now been assigned to the day-to-day management and to implement improvements to the current passenger rail service.

We requested an extract from the customer complaints registration and examples of performance monitoring reporting.

Key themes in the complaints registration include:-

- Over crowding
- Inconsistent/incorrect fare charges
- Delays to service/no service
- Children left on station
- Maintenance/break down.

We were advised that, under the existing contract, it is difficult to impose penalties. However, based upon poor performance, ARC has imposed penalties.

We note that both parties have acknowledged that improvement to the rail operator service is required. Tranzrail has agreed to continue to provide the passenger rail service until the new tender round is concluded.

A new “Contract Management Protocol and Partnering Charter” has been agreed between the parties, which includes key performance indicators for:-

- Time keeping
- Patronage
- Incidents
- Customer complaints
- Safety (lost time injuries)
- Recruitment/training.

Data is now being collected more frequently to assess the impacts of the significant increase in passenger numbers to service delivery.

An “improvements project” has also commenced with the overall objective of supporting reliable and “on-time” service. They include:-

- ▲ Reduction or termination of some services
- ▲ Increasing capacity of certain services
- ▲ Reviewing and implementing a revised routine maintenance programme
- ▲ Improving timeliness of customer information on service delays
- ▲ Establishing effective reporting/communication structures
 - Daily – major incidents e.g. service cancellation via telephone
 - Weekly – operational performance
 - Monthly – patronage
 - Quarterly – “factor” report.

Conclusion

It is evident that there are issues with the current passenger rail service which cannot be resolved overnight. The availability and reliability of the rolling stock and rail corridor are intrinsically linked to service delivery. Also, the overall train system can not meet the passenger demand, particularly during peak periods. The position is not assisted by the deficiencies of the current contract. We note that ARC and Tranzrail have taken steps to improve the current passenger rail service and the monitoring of the contract. This is evident with the introduction of the Contract Management Protocol and Partnering Charter and the commencement of the “improvements project.” It is our understanding that the Charter is currently a “Commercial in Confidence” document. It is our understanding that ARC will seek agreement from Tranzrail to make the document publicly available. We encourage this course of action as, in our view, the public have a right to this information.

We note that ARC is actively engaged in a tender process to select an Operator to provide future passenger rail services. The ARC has included within the draft Passenger Services Agreement (tender document) details of draft operating service management and monitoring protocols. The new contract should be explicit in its requirements. The public needs an assurance now that this will happen and that future services will meet appropriate standards.

Yours sincerely

A handwritten signature in black ink, consisting of a long horizontal stroke followed by a large, sweeping loop that crosses back under the horizontal stroke.

Kevin Brady